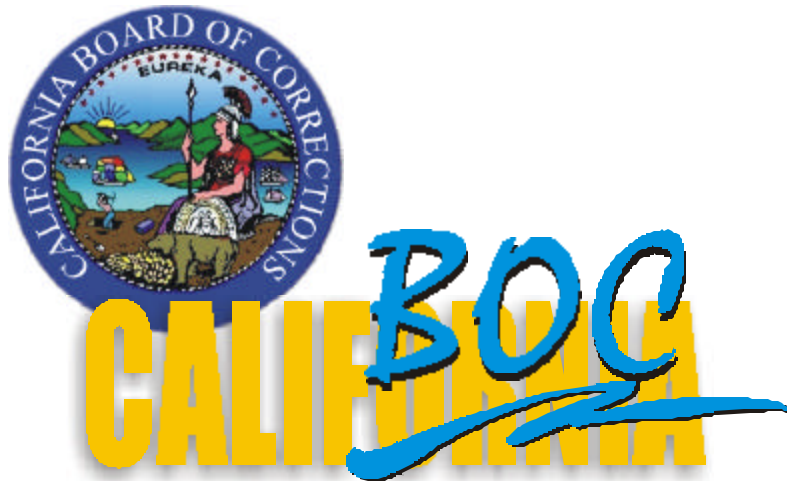


JUVENILE CRIME ENFORCEMENT & ACCOUNTABILITY CHALLENGE GRANT II

Audit Guide

Revised July 2001



State of California

Board of Corrections

**600 Bercut Drive, Suite A
Sacramento, California 95814-0185**

Corrections Planning and Programs Division

Telephone: (916) 445-5073

Fax: (916) 445-5796

Website: www.bdcrr.ca.gov

STATE OF CALIFORNIA

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YOUTH AND ADULT CORRECTIONAL AGENCY

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INTRODUCTION

Purpose of the Audit Guide

The Board of Corrections (Board), Corrections Planning and Programs Division (CPPD), Juvenile Crime Enforcement and Accountability Challenge Grant (JCE&ACG) II Audit Guide (July 2001) is designed to assist the county auditor or independent auditor hired by the county to perform the final audit of the County JCE&ACGII Contract. It offers general insight into the nature and scope of the audit, provides guidelines for the audit report and financial statements, and identifies the minimum audit and reporting requirements necessary to comply with Board audit requirements. For the purpose of this audit guide, the term “financial statement” refers to the statement of grant revenue and expenditures. This document is not intended to be either a complete manual of audit procedures or a substitute for the auditor's judgment.

Amendments to the Audit Guide

Changes to this audit guide will be needed as experience suggests ways to improve accountability or when changes in requirements and regulations require procedural updates. All users of this guide are encouraged to suggest improvements, and all questions or comments should be addressed to the Board of Corrections, CPPD, 600 Bercut Drive, Sacramento, California 95814-0185, (916) 445-5073.

Background

SB 1760 (Chapter 133, Statutes of 1996), the original legislation authorizing the JCE&ACG Program, was part of Governor Wilson's 1996 crime package and was carried by Senator Bill Lockyer, Hayward, and Assemblyman Jan Goldsmith, Poway. This legislation provided \$50 million and added Section 749.2 - 749.27 to California's Welfare and Institutions Code, delineating the requirements of the program, identifying the Board as the administering agency, and authorizing the Board to develop procedures to award grants and monitor projects. The Board is further required to report to the legislature the results of the entire program upon its conclusion.

Chapters 325, 500, and 502, Statutes of 1998, amended the original JCE&ACG program administered by the Board and provided additional resources to expand the existing grant program. Of the additional \$60 million allocated (\$10 million from the 1998-99 Budget Act and \$50 million from SB 2108, Chapter 502, Statutes of 1998), up to five percent (5%) is available for administration and technical assistance. Up to \$2 million of the allocation is available for the development and/or updating of Local Action Plans (LAPs), and up to \$500,000 in grants, not to exceed \$100,000 for the extension of existing evaluation efforts.

To help ensure an appropriate evaluation of these demonstration projects, the 2000/01 State Budget extended the JCE&ACG II projects from June 30, 2002, until June 30, 2003, and allocated an additional \$14 million to support program operations for the additional year.

Special focus of this effort is on the establishment of local multi-agency juvenile justice coordinating councils that developed unique county-based responses to reduce incidences of juvenile crime and delinquency. California's JCE&ACG legislation incorporates a graduated sanction model for at-risk and juvenile delinquents. To apply for grant funds, counties were required to develop a LAP to address how a community plans to deal with the graduated sanctions of prevention, intervention, supervision, treatment, and incarceration of juveniles.

INTERNAL CONTROL REQUIREMENTS

In conjunction with each financial and compliance audit of a county's JCE&ACG II contract, the auditor shall conduct a study and evaluation of the county's system of internal accounting control as it relates to the grant and the systems established to ensure compliance with laws and regulations affecting receipts and expenditures. An entity's internal control structure consists of three elements:

1. Control environment;
2. Accounting system; and
3. Control procedures.

The auditor should obtain a sufficient understanding of each of the three elements mentioned above, in order to plan the audit and administer procedures which determine whether they are in operation. The audit shall include such testing as is needed to generate the auditor's reports on internal control and compliance with laws, regulations, and grant contract requirements. If an internal control represents a significant deficiency in the design or operation of the internal control structure, it should be a reportable item.

Audits conducted in accordance with generally accepted Government Auditing Standards, as promulgated by the Comptroller General of the United States in Government Auditing Standards (1994 revision), are required to report on the internal control structure and the assessment of control risk made as part of a financial statement audit or a financial-related audit. Generally Accepted Auditing Standards (GAAS) requires the auditor to obtain an understanding of the internal control structure that is sufficient to plan the audit and to assess control risk for the assertions embodied in the financial statements. In the audit of a governmental entity, this understanding includes knowledge about the design of internal control structure policies and procedures relevant to financial statement assertions affected by compliance with laws and regulations that have a direct and material effect on the determination of financial statement amounts and whether those policies and procedures have been placed in operation.

The auditor's report on internal control structure shall include as a minimum:

1. The scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk;
2. The entity's significant internal controls or control structure including the controls established to ensure compliance with laws and regulations that have a material impact on the financial statements and results of the financial-related audit; and
3. The reportable conditions, including the identification of material weaknesses, identified as a result of the auditor's work in understanding and assessing the control risk.

While GAAS only requires communication (oral or written) of weaknesses that are reportable conditions, Government Auditing Standards requires a written description of any reportable conditions noted, including the identification of those that are considered to be material weaknesses. Any non-reportable conditions in an entity's internal control structure not included in the report, should be separately communicated to the audited entity in writing. When such control structure conditions are reported in a management letter, this should be referred to in the report on internal controls. The Board, the Department of General Services, the Department of Finance, or their designated representatives reserve the right to request copies of management letters.

The following are examples of different ways in which the internal control structure might be classified. These examples may be modified, or other classifications may be used as appropriate for the particular circumstances.

1. Accounting Controls
 - Purchasing
 - Expenditures and disbursements
 - Revenue and receipts
 - Billing
 - General ledger
 - Payroll
 - Cost allocation
2. Administrative Controls
 - Allowable costs
 - Special requirements of the project grant
 - Matching level of effort
 - Reporting

COMPLIANCE REQUIREMENTS

A review is to be made of compliance with applicable laws, regulations, and grant contract requirements. The auditor should obtain an understanding of the possible financial statement effects of laws, regulations, and grant contract requirements that are generally recognized by auditors to have a direct and material effect on the determination of amounts in a governmental entity's financial statements. The auditor should also assess whether county management has identified laws, regulations, and grant contract requirements that have a direct and material effect on the determination of amounts in the governmental entity's financial statements. The major compliance features of the JCE&ACG II contract are detailed below. The auditor should be aware that any finding related to compliance requirements might affect the auditor's opinion report on the financial statement.

GAAS requires the auditor to design the audit to provide reasonable assurance that the financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts. Audits conducted in accordance with Government Auditing Standards, as promulgated by the Comptroller General of the United States in Government Auditing Standards (1994 revision), require a written report on the auditor's tests of compliance with such applicable laws and regulations. This report should contain a statement of positive assurance on those items, which were tested for compliance, and negative assurance on those items not tested.

Positive assurance consists of a statement by the auditors that the tested items were in compliance with applicable laws and regulations. Negative assurance is a statement that nothing came to the auditor's attention as a result of specified procedures that caused the auditor to believe the untested items were not in compliance with applicable laws and regulations.

All material instances of noncompliance related to the financial statements or the program being audited shall be reported in writing. Other nonmaterial instances of noncompliance need not be disclosed in the compliance report but should be reported to the audited entity in writing. When such instances of noncompliance are reported in a management letter, this shall be referred to in the report on compliance. The Board, the Department of General Services, the Department of Finance, or their designated representatives reserve the right to request copies of management letters.

The county JCE&ACG II contract has specific compliance requirements. Requirements specific to the audit should be tested for compliance. The audit requirements pertaining to the grant contract are presented in the following section.

Adherence to Minimum Standards for JCE&ACG II Program

Compliance Requirements:

Projects must comply with all statutory requirements and Board regulations identified for the JCE&ACG II Program.

Criteria:

Section 749.2 - 749.27 of the California Welfare and Institutions Code and the Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract Administration Policies and Procedures Manual revised July 2001.

Records

Compliance Requirements:

The county is required to establish an official file for the project. The file shall contain adequate documentation of all actions in accordance with generally accepted accounting principles.

The county must establish separate accounting records for receipt, deposit, and disbursement of all grant funds.

The county is also required to maintain books, records, documents, and other evidence sufficient to reflect properly the amount, receipt, and disposition of all project funds, including Board grant funds and any matching funds of the county, and the total cost of the project. Supporting documentation for matching funds, goods or services shall, at a minimum, include the source of the match, the basis upon which the value of the match was calculated, and when the matching funds, goods, or services were provided. Receipts, signed by the recipient of the donated goods and/or services, should be issued and a copy retained. Generally accepted government accounting principles and adequate supporting documentation shall be maintained in such detail to provide an audit trail which will permit tracing transactions from the billings to the financial statements to the accounting records to the support documentation. All grantee records relevant to the project will be preserved a minimum of three (3) years after project completion or final audit, whichever is later, and shall be subject at all reasonable times to inspection, monitoring, copying, and audit by the Board or its designee or authorized representative and the Bureau of State Audits for a period of three (3) years after final payment under the grant contract. (Government Code Section 10528).

Criteria:

Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract and the Board Juvenile Crime Enforcement and Accountability Challenge Grant II Policies and Procedures Manual for Counties revised July 2001, and Government Code Section 10528.

Submittal of Invoices

Compliance Requirements:

Invoices are to be submitted on a quarterly basis on Board form CGII004. The invoice must reflect matching fund expenditures as well as the total program expenses incurred during the reporting quarter, invoices previously submitted, and payments received from Board for reimbursement. Expenditures for the JCE&ACG II Program must be for liquidating legally incurred project obligations and consistent with the financial documents contained in the Board grant contract.

During the grant period, financial invoices are to be submitted within 45 calendar days after the end of each fiscal quarter. Examples are as follows:

Reporting Period	Due Date
July 1, 1999 - September 30, 1999	November 15, 1999
October 1, 1999 - December 31, 1999	February 15, 2000
January 1, 2000 - March 31, 2000	May 15, 2000
April 1, 2000 - June 30, 2000	August 15, 2000
July 1, 2000 - September 30, 2000	November 15, 2000
October 1, 2000 - December 31, 2000	February 15, 2001
January 1, 2001 - March 31, 2001	May 15, 2001
April 1, 2001 - June 30, 2001	August 15, 2001
July 1, 2001 - September 30, 2001	November 15, 2001
October 1, 2001 - December 31, 2001	February 15, 2002
January 1, 2002 - March 30, 2002	May 15, 2002
April 1, 2002 - June 30, 2002	August 15, 2002
July 1, 2002 - September 30, 2002	November 15, 2002
October 1, 2002 - December 31, 2002	February 15, 2003
January 1, 2003 - March 31, 2003	May 15, 2003
April 1, 2003 - June 30, 2003	August 15, 2003

Invoice reimbursement is restricted to eligible program costs as stated in the grant contract and the Juvenile Crime Enforcement and Accountability Challenge Grant II Policies and Procedures Manual for Counties revised July 2001.

Criteria:

Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract and the Contract Administration Policies and Procedures Manual for Counties revised July 2001.

Budget/Program Modifications

Compliance Requirements:

No substantial change or modification in the project will be permitted without prior written approval from the Board. Substantial changes are those which affect the design or scope of the project, compliance with the agreed-upon program evaluation component, individual budget line item changes over ten percent (10%) of the amounts indicated for the individual line item contained in Exhibit B as the "Three Year Budget," and other significant program delivery components addressed in the project application and specifically identified

in Exhibit B. Substantial modification requests shall be submitted to the Board upon approval of the Project Manager. Budget/Program Modification requests must be made on Board form CGII002.

Minor changes, such as a change in personnel, dates and times of service delivery, and budget line item changes up to ten percent (10%) of the individual line items identified in Exhibit B as the "Yearly Budgets," may be executed by the county without prior approval from the Board.

Under no circumstances will budget line item changes be authorized which would cause the project to exceed the amount of the grant award identified in the State Standard Agreement. Further, in no event shall line item changes be made or authorized for the Administrative Overhead line item, which would result in that line item exceeding the ten percent (10%) of the grant funds.

Criteria:

Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract and the Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract Administration Policies and Procedures Manual for Counties revised July 2001.

Semi-Annual Progress Reports

Compliance Requirements:

The county is required to submit progress reports on a semi-annual basis. Progress reports must contain all the required information and be submitted on Board form CGII005. The reports must include, but are not limited to, a review of progress on all programs in the grantee project, the number of minors served in each program, major and minor project modifications during the reporting period, specific statistical data collected during the reporting period, invoices submitted, and payment received from the Board. Due dates are as follows:

Reporting Period	Due Date
July 1, 1999 - December 31, 1999	February 15, 2000
January 1, 2000 - June 30, 2000	August 15, 2000
July 1, 2000 - December 31, 2000	February 15, 2001
January 1, 2001 - June 30, 2001	August 15, 2001
July 1, 2001 - December 31, 2001	February 15, 2002
January 1, 2002 - June 30, 2002	August 15, 2002
July 1, 2002 - December 31, 2002	February 15, 2003
January 1, 2003 - June 30, 2003	August 15, 2003

Criteria:

Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract and the Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract Administration Policies and Procedures Manual for Counties revised July 2001.

Final Project Summary

Compliance Requirements:

The Final Project Summary Report must be received by the Board within 90 calendar days of the grant contract ending date. Board form CGII006 must be completed in full and signed by the appropriate county officials.

Criteria:

Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract and the Board Juvenile Crime Enforcement and Accountability Challenge Grant Contract Administration Policies and Procedures Manual for Counties revised July 2001.

Eligible Project Costs

State Funds

Project costs eligible for state funding include, but are not limited to:

1. Salaries and benefits of county employees or public or private contract employees directly involved in the delivery of services associated with the project;
2. Services and supplies necessary to deliver services directly associated with the project;
3. In-state travel for county employees, volunteers, and student interns in accordance with county travel policy necessary for the success of the project;
4. Professional or consultant services, including services provided by community-based organizations, and other charges necessary for the delivery of services directly associated with the project;
5. Fixed assets, up to \$1,000 per item, that are necessary for the delivery of services directly associated with the project (items over \$1,000 per item require written request and approval);
6. Lease payments for equipment, including vehicles, office space, automation and reprographic equipment, and other items necessary for the delivery of services directly associated with the project; and
7. Operational overhead, indirect and administrative costs necessary for the success of the project up to a maximum of ten percent (10%) of the total grant award. Counties using grant funds for administrative overhead must maintain documentation supporting charges to the grant for this purpose. Board staff may review the documentation during site and monitoring visits.

Criteria:

Board Juvenile Crime Enforcement and Accountability Challenge Grant II Grant Application instructions dated November 16, 1998. Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract and the Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract Administration Policies and Procedures Manual for Counties revised July 2001.

Matching Funds

Expenditures eligible as match shall include those for:

1. Salaries and benefits of county employees or public or private contract employees directly involved in the delivery of services associated with the project;

2. Services and supplies necessary to deliver services directly associated with the project;
3. Travel for county employees, volunteers, and student interns, in accordance with county travel policy, necessary for the success of the project;
4. Professional or consultant services, including services provided by community-based organizations, required audits and other charges necessary for the delivery of services directly associated with the project;
5. Fixed assets up to \$1,000 per item, that are necessary for the delivery of services directly associated with the project. Items over \$1,000 per item require written request and approval;
6. Lease payments for equipment, including vehicles, office space, automation and reprographic equipment and other items necessary for the delivery of services directly associated with the project; and
7. Operational overhead, indirect and administrative costs necessary for the success of the project.

Compliance Requirements:

Counties must provide cash or in-kind matching funds of at least twenty-five percent (25%) of the grant funds requested or the amount of match identified in the grant contract, whichever is greater.

Criteria:

AB 2261 Chapter 325 Statutes of 1998. Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract.

Ineligible Project Costs

Project costs or items which are ineligible for state funding:

1. Site acquisition and/or construction costs;
2. Fixed assets, including vehicles, computer equipment, furniture, reprographic equipment, and other items over \$1,000 per item unless a declaration is made in writing by the Project Manager and approved in writing by the Board that the equipment to be purchased:
 - a. Is to be used for services directly associated with the project;
 - b. Is essential to the success of the project;
 - c. That lease and rental options of the fixed asset have been thoroughly investigated;
 - d. That the purchase of the equipment is less expensive than leasing or renting the equipment for the three-year grant period; and
 - e. That title to any equipment purchased with state funds will vest in the state and that the equipment will be returned to the state at the end of the grant period, if requested by the Board.
3. Supplanting existing programs, projects, or personnel;
4. Personal injury compensation or damages arising out of or connected with the project, whether determined by adjudication, arbitration, negotiation, or otherwise;
5. Fines and penalties due to violation of or failure to comply with federal, state or local laws and ordinances;
6. Any costs outside the scope of the approved project;
7. Interest on bonds or any other form of indebtedness required to finance project costs;

8. All costs incurred in violation of the terms, provisions, conditions, or commitments of this grant contract;
9. All costs arising out of or attributable to Grantee's malfeasance, misfeasance, mismanagement, or negligence;
10. All costs arising out of or connected with contractor claims against the Grantee, or those persons for whom the Grantee may be vicariously liable, including, but not limited to, any and all costs related to defense or settlement of such claims;
11. Criminal justice activities that are not directly related to the approved project;
12. The use of grant funds to "buy-out" unused sick leave, vacation/administrative leave time not accrued during the grant period. Grant funds may only be used to "buy-out" any period of time an employee was assigned to the JCE & ACG II program and paid with grant funds; and
13. Use of state grant funds for out-of-state travel and per diem.

Criteria:

Board Juvenile Crime Enforcement and Accountability Challenge Grant II Contract and the Board Juvenile Crime Enforcement and Accountability Challenge Grant II Policies and Procedures Manual for Counties revised July 2001.

FINAL AUDIT REQUIREMENTS

Responsibility

Within 120 calendar days of the grant contract expiration date, the county must obtain and submit a final audit to the Board. Extensions of the 120-day deadline should be requested in writing prior to the expiration of the grant contract. When the county is making its audit arrangements, advanced planning should be used to ensure the audit is started at project completion and completed with the required time frame. The county should also allow time for its response to any findings and audit recommendations before the report is sent to the Board.

Each audit shall consist of an examination of all state funds as well as all matching funds. The audit shall be performed in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants (AICPA), generally accepted governmental auditing standards, as promulgated by the Comptroller General of the United States, and the standards issued by the Board. The AICPA's Statements on Auditing Standards (SAS) No. 74, "Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance," provides further information and guidance when auditing a governmental entity's financial statements and determining compliance with laws, regulations, and grant contract requirements.

Audits should be performed under the direction of a certified public accountant or an independent county internal auditor satisfactory to the Board. If the county internal auditor performs the audit, the auditor must be organizationally independent from the county's accounting and project management functions. Counties should obtain assurances that the personnel selected to perform the audit collectively have the necessary skills. It is important that a sound procurement practice be followed when contracting for audit services. Sound grant contract and approval procedures, including the monitoring of grant contract performance, should be in place. The objectives and scope of the audit should be made clear. In addition to price, other factors to be considered include: the responsiveness of the bidder to the request for proposal; the past experience of the bidder; the availability of the bidder staff with professional qualifications and technical abilities; and whether the bidder organization participates in an external quality control review program. It should also be noted that these steps are important whether the county is hiring auditors from an outside CPA firm or within its own internal auditing unit.

Since the audit function must maintain organization independence, the county financial officer for this project, as cosigner to the grant contract, cannot perform audits of the grant contract-related activities. Additionally, internal county auditors who report to the financial officer, or to whom the financial officer reports, are cautioned not to perform the audit. The person conducting the audit shall be a public accountant or certified public accountant, unless the audit is completed by a county auditor. Failure to comply with these qualification standards could result in the rejection of the audit report by the Board.

Counties also have the option of meeting audit requirements through a Federal Single Audit. However, advance approval is required by the Board since the timing of the audit may impact the submission of the final audit within 120 calendar days of the grant contract expiration date. If the county decides to submit a Federal Single Audit report in order to satisfy the final audit requirement, the following items must be included in the report:

1. A Statement of Grant Revenues and Expenditures specific to the grant;
2. Supplemental Schedules: Schedule of Eligible Project Costs and Schedule of Disallowed or Questioned Costs;

3. A review of the match requirement including match type (i.e., Hard or In-Kind), and if the match requirement was met; and
4. A compliance review to ensure the required language is included in all contracts, separate records are maintained for grant-related expenditures and disbursements, and budget modifications were completed as required by the grant contract.

In addition to the final audit, the Board may require a prepayment audit prior to the deposit of grant funds into a separate account to ensure that the county's accounting system meets generally accepted accounting principles.

The Board also reserves the right to call for an audit at any time between the execution of the grant contract and the completion or termination of the program.

Audit Scope

Audits must include, at a minimum, an examination of: the systems of internal control; systems established to ensure compliance with laws and regulations affecting the expenditures of state funds; financial transactions and accounts; and the county's process for the submission of contractor billings as well as billings the contractor has submitted to the county for performance of program tasks. These examinations are to determine whether:

1. There is effective control over and proper accounting for expenditures, assets, and liabilities;
2. The periodic financial statements are fairly stated in all material respects;
3. State funds and county hard and/or soft match funds (if applicable) were expended in accordance with the terms and scope of the grant contract and those provisions of state law and regulations that could have a material effect on the financial statements;
4. State and county hard and/or soft match funds (if applicable) were expended in accordance with the terms of the project related contracts between the county and their contractor(s), and that the terms and scope of those contracts complied with provisions of the county's grant contract with the Board;
5. The audit shall identify any program-related claims by or against the county pending at the time the audit is conducted; and
6. In order to accomplish (3) above, a representative number of charges to state funds and county match shall be tested. The test shall be representative of all cost categories in the county's grant contract. The test is to determine whether the charges:
 - a. Conform to any limitations or exclusions in the award of state funds;
 - b. Included only eligible charges and did not include costs properly chargeable to other programs or accounts;
 - c. Were properly recorded (i.e., correct amount, date) and supported by source documentation; and
 - d. Were approved in advance, if they involved a modification subject to prior approval in accordance with the Board Grant Contract Standard Conditions.

Testing

A sufficient number of items should be selected for review, which represent all material cost categories in the county's grant contract and adequately support the auditor's opinion on the county's *Statement of Grant Revenues and Expenditures*, internal controls, and compliance with laws, regulations, and grant contract requirements. The audit should determine whether:

1. County internal controls over the program are effective and working as intended;
2. Reported program expenditures are allowable;
3. Reported expenditures conform to funding or program limitations or exclusions;
4. Reported expenditures are not charged to (or reimbursed by) other programs or funding sources;
5. Transactions are properly approved, reported, and supported by source documentation;
6. Reported expenditures were incurred within the appropriate period; and
7. County complied with applicable laws, regulations, and grant contract requirements.

Financial Statement of Grant Revenues and Expenditures

The financial statement that will be included in the audit report is called the *Statement of Grant Revenues and Expenditures*. The *Statement of Grant Revenues and Expenditures* presents the audited program revenues and expenditures and the county's matching expenditures (if applicable). Although only the amounts reported by the county are required to be audited, the auditor should identify all program revenues and expenditures for propriety.

Refer to Appendix D for an example.

Notes to the Statement of Grant Revenues and Expenditures

The *Notes to the Statement of Grant Revenues and Expenditures* should include sufficient information to assure fair financial statement presentation and adequate disclosure. The notes include, but are not limited to:

1. Description of the county's reporting structure;
2. General program information;
3. Description of grant;
4. Basis of financial statement presentation;
5. Basis of accounting and other significant accounting policies;
6. Pending litigation;
7. Matching fund requirements;
8. Ineligible material program costs; and
9. Other funding sources.

Note: The above list is not meant to be inclusive and may not apply to all audits.

Supplemental Information

Supplemental information to the Statement of Grant Revenues and Expenditures includes the following schedules to highlight specific areas of the county's grant activity:

1. Matching fund requirements;
2. Contract budget and actual costs (by budget category);
3. Eligible project costs (by budget category); and
4. Recommended disallowed costs.

Note: Refer to Appendices E, F, G, and H for examples.

Audit Certification

The audit report to the Board should contain:

1. A description of the statements examined and the period covered; and
2. An opinion as to whether all audit scope criteria have been met satisfactorily by the county. If an unqualified opinion cannot be expressed, state the nature of the qualification, reservation, or exception.

County Specific Requirements (if appropriate)

The audit report to the Board should contain any county-specific requirements not aforementioned.

Audit Findings and Recommendations

The auditor shall advise the county of any audit findings and recommendations. The final audit report shall be sent to the Board of Supervisors of the county and shall incorporate the county's response and plans for corrective actions to any auditor findings and recommendations. Four copies of the final audit report, including management letters and corrective action plans (if applicable), must be filed with the Board no later than 120 calendar days after completion of the program.

Audit findings and recommendations shall be explained in sufficient detail to enable the reader to understand both the condition (showing cause and effect) and the criteria of the weakness or condition of noncompliance. The recommendation should relate to the specific cause of the finding.

County management is responsible for corrective action and follow-up on all audit findings. A corrective action plan for each finding and recommendation must be prepared by the county (within ten days after notification of the findings) and submitted to the Board as part of the final audit report. The corrective action plan must include: a) description of each finding and recommendation; b) specific steps taken to remedy the finding or implement the recommendation; c) timetable for performance of each corrective

action; and d) description of monitoring to be performed, and who will perform it to ensure implementation of each corrective action.

Review of Audit Reports – Release of Withholding of Disbursement

The Board has the responsibility of conducting desk reviews of the audit report(s) to determine whether the report is in conformance with the provisions of this audit guide. Conformance problems are judged for materiality in relation to the audit report(s) being reviewed. Reports with major reporting problems or a significant number of minor problems will be rejected.

After review of each audit report, the Board will mail written notification of the desk review results to the County and the auditor. For reports that are not accepted, notification letters will include a brief description of each deficiency. The auditor is required to make necessary corrections and submit the revisions promptly. The Board will assist in all efforts to correct reported deficiencies so that an acceptable report is filed. Auditors and counties are encouraged to contact their assigned Board field representative if they have any questions.

As indicated in the Contractual Requirements section of the JCE&ACG II Contract Administration Policy and Procedures Manual for Counties, at such time as the balance of grant funds allocated to the county reaches five percent (5%) the Board shall withhold that amount as security, to be released to the county upon complying with all grant contract provisions.

Upon review of the results of the final audit report and corrective action plan (if any), under normal conditions, if the requirements in the above paragraph are met and there are no internal control findings, questioned costs, or ineligible expenditure findings, the Board will release the final five percent (5%) of grant funds to the county and close out the program and grant contract. If there are questioned costs or ineligible grant or match expenditures, the Board will contact the county to resolve these issues prior to the release of any funds that have been withheld.

The Board may disallow (deny both use of grant funds and any applicable matching credit for) all or part of the cost of the activity or action determined to be ineligible and not in compliance with the terms and conditions of the grant contract. If this occurs, the Board will deduct ineligible grant expenditures from the amount withheld and release the balance to the county. If ineligible grant expenditures exceed the five percent (5%) withheld, the Board will request necessary repayment or take other remedies legally available.

Retention of Records

The counties should include the following provisions in their contracts for outside audits:

The Board, the Department of General Services, the Department of Finance, or their designated representatives shall be granted access to audit working papers prepared by the auditor and shall be retained for a minimum of three (3) years from the date of the audit report unless the auditor is notified in writing by the Board to extend the retention period.

Additionally, audit work papers prepared by the county's internal audit department need to be retained for a minimum of three (3) years from the date of the audit report unless the auditor's office is notified in writing by the Board to extend the retention period.

ILLUSTRATIVE AUDITOR'S REPORTS

The following illustrations of audit reports are intended for information purposes to provide general assistance to the auditor. These reports are issued for an unqualified opinion. If the auditor finds it necessary to issue an opinion other than unqualified, reference should be made to the appropriate Statements on Auditing Standards (SAS) as noted below. If the auditor issues an opinion on the county's financial statements as part of a Single Audit, reference should be made to SAS 58 (Reports on Audited Financial Statements) (Appendix A). If the auditor conducts an audit of grant activities and issues an opinion on the Statement of Grant Revenues and Expenditures, then SAS 62 (Special Reports) is to be used as shown in Appendix A-1. In addition to the financial opinion, the auditor must also issue reports on the internal control structure (Appendix B) and on compliance with laws, regulations and grant contract requirements (Appendix C), in accordance with SAS 74 (Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance).

APPENDIX A - INDEPENDENT AUDITOR'S REPORT (SINGLE AUDIT)

APPENDIX A-1 - INDEPENDENT AUDITOR'S REPORT (SPECIAL REPORT)

**APPENDIX B - INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE**

**APPENDIX C - INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS,
REGULATIONS, AND GRANT CONTRACT REQUIREMENTS**

APPENDIX A

(INDEPENDENT AUDITOR'S LETTERHEAD)

Board of Supervisors
Y County
1 000 X Street
Y, CA 12345

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying _____
of Y County for the period _____ through _____. These statements are the
responsibility of the Y County management. Our responsibility is to express an opinion on these financial
statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing
Standards, issued by the Comptroller General of the United States. Those standards require that we plan
and perform the audit to obtain reasonable assurance about whether the financial statements are free of
material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and
disclosures in the financial statements. An audit also includes assessing the accounting principles used and
significant estimates made by management, as well as evaluating the overall financial statement
presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the
_____ of Y county for the period _____ through _____
in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a
whole. The supplemental schedules are presented for purposes of additional analysis and are not a required
part of the basic financial statements. Such information has been subjected to the auditing procedures
applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material
respects in relation to the basic financial statements taken as a whole.

AUDITOR'S SIGNATURE: _____

DATE: _____

(INDEPENDENT AUDITOR'S LETTERHEAD)

Board of Supervisors
Y County
1 000 X Street
Y, CA 12345

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Statement of Grant Revenue and Expenditures of Y County in accordance with the State of California's Board of Corrections' Juvenile Crime Enforcement and Accountability Challenge Grant II Contract No. _____ for the period _____ through _____. This statement is the responsibility of the Y County management. Our responsibility is to express an opinion on the Statement of Grant Revenue and Expenditures based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Grant Revenue and Expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Grant Revenue and Expenditures was prepared for the purpose of complying with the audit requirements of the State of California's Board of Corrections' Juvenile Crime Enforcement and Accountability Challenge Grant Contract No. _____ as described in Note 1 and is not intended to be a complete presentation of the County's revenues and expenditures.

In our opinion, the Statement of Grant Revenue and Expenditures referred to above presents fairly, in all material respects, the grant revenues and expenditures of Y County in accordance with the State of California's Board of Corrections' Juvenile Crime Enforcement and Accountability Challenge Grant II Contract No. _____ for the period _____ through _____ in conformity with generally accepted accounting principles. In accordance with Government Auditing Standards, we have also issued a report dated _____ on our consideration of the County's internal controls, and a report dated _____ on the compliance with applicable laws, regulations, and grant contract requirements.

Our audit was conducted for the purpose of forming an opinion on the Statement of Grant Revenues and Expenditures taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the Statement of Grant Revenue and Expenditures. Such information has been subjected to the auditing procedures applied in the audit of the Statement of Grant Revenue and Expenditures and, in our opinion, is fairly stated in all material respects in relation to the Statement of Grant Revenue and Expenditures taken as a whole.

This report is intended for the information and use of the management of Y County and the State of California's Board of Corrections. However, this report is a matter of public record and its distribution is not limited.

AUDITOR'S SIGNATURE: _____ DATE: _____

(INDEPENDENT AUDITOR'S LETTERHEAD)

Board of Supervisors
Y County
1 000 X Street
Y, CA 12345

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the Statement of Grant Revenues and Expenditures of Y County in accordance with the State of California's Board of Corrections' Juvenile Crime Enforcement and Accountability Challenge Grant II Contract No. _____ for the period through _____, and have issued our report thereon dated _____.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Statement of Grant Revenue and Expenditures is free of material misstatement.

County management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the county's statement of Grant Revenues and Expenditures in accordance with the State of California's Board of Corrections' Juvenile Crime Enforcement and Accountability Challenge Grant II Contract No. _____ for the period _____ through _____, we obtained an understanding of the county's internal controls. This understanding included the design of revenue policies and procedures, and whether they have been placed in operation; furthermore, we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal controls. Accordingly, we do not express such an opinion.

Our consideration of the internal controls would not necessarily disclose all matters that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the County's management and the California Board of Corrections. However, this report is a matter of public record and its distribution is not limited.

AUDITOR'S SIGNATURE: _____

DATE: _____

(INDEPENDENT AUDITOR'S LETTERHEAD)

Toni Hafey, Deputy Director
Corrections Planning and Programs Division
California Board of Corrections
600 Bercut Drive
Sacramento, CA 95814

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS,
REGULATIONS, AND GRANT CONTRACT REQUIREMENTS**

We have audited the Statement of Grant Revenues and Expenditures of Y County in accordance with the State of California's Board of Corrections' Juvenile Crime Enforcement and Accountability Challenge Grant II Contract No. _____ for the period _____ through _____, and have issued our report thereon dated _____.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Grant Revenues and Expenditures is free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the County is the responsibility of Y County's management. As part of obtaining reasonable assurance as to whether the financial statement is free of material misstatement, we performed tests of County compliance with certain provisions of laws, regulations, contract requirements. However, the objective of our audit of the Statement of Grant Revenue and Expenditures was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the County complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those provisions.

AUDITOR'S SIGNATURE: _____

DATE: _____

ILLUSTRATIVE FINANCIAL STATEMENT AND SCHEDULES

The following illustrations of schedules are intended for the information purposes to provide general assistance to the auditor. They represent the minimum financial information, which must be included in the audit report. The format and layout of these schedules are optional. However, the information included in the schedules is required. If a schedule is non-applicable, the auditor should indicate this in the audit report. The illustrations that follow are not intended to be all inclusive. The auditor performing the audit should make professional judgments and determinations of any additional information, which should be included in the report.

Basic Financial Statement

APPENDIX D - STATEMENT OF GRANT REVENUES AND EXPENDITURES

Supplemental Information

APPENDIX E - SCHEDULE OF MATCHING FUND REQUIREMENTS

APPENDIX F - SCHEDULE OF ELIGIBLE COSTS, BUDGET TO ACTUAL

APPENDIX G - SCHEDULE OF ELIGIBLE PROJECT COSTS

APPENDIX H - SCHEDULE OF DISALLOWED COSTS

The Board, in conjunction with the State of California Department of Finance, Office of State Audits and Evaluations, developed an audit checklist to help counties prepare for an audit. Counties are encouraged to review this checklist to ensure adequate financial procedures are in place to meet Board auditing requirements and standards.

APPENDIX I - AUDIT DOCUMENTATION CHECKLIST

APPENDIX J - LEGISLATION

APPENDIX D

**Y COUNTY
JUVENILE CRIME ENFORCEMENT &
ACCOUNTABILITY CHALLENGE GRANT II PROGRAM
STATEMENT OF GRANT REVENUES AND EXPENDITURES**

GRANT PERIOD: FROM _____ TO _____

Revenues:

\$ _____

\$ _____

\$ _____

\$ _____

Total Revenues:

\$ _____

Expenditures:

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

\$ _____

Total Expenditures:

\$ _____

Excess of Revenues over Expenditures:

\$ _____

The accompanying notes are an integral part of this statement

APPENDIX E

COUNTY NAME _____

**JUVENILE CRIME ENFORCEMENT &
ACCOUNTABILITY CHALLENGE GRANT II PROGRAM
SCHEDULE OF MATCHING FUND REQUIREMENTS**

GRANT PERIOD: FROM _____ TO _____

	BUDGET	AMOUNT	PERCENT
Y County			
In-Kind Match (List by Category from Grant Contract)	\$ _____	\$ _____	_____
Cash Match (List by Category from Grant Contract)	\$ _____	\$ _____	_____
Total Matching Funds (_____)			
State of California			
Total State Funds	\$ _____	\$ _____	_____
TOTAL COSTS	\$ _____	\$ _____	<u>100%</u>

APPENDIX F

COUNTY NAME: _____

JUVENILE CRIME ENFORCEMENT &
ACCOUNTABILITY CHALLENGE GRANT II PROGRAM
SCHEDULE OF ELIGIBLE COSTS
BUDGET TO ACTUAL

GRANT PERIOD: FROM: _____ TO _____

BUDGET LINE ITEM	BUDGET	EXPENDITURESs	(OVER)/UNDER
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
TOTAL:	\$ _____	\$ _____	\$ _____

APPENDIX G

COUNTY NAME: _____

**JUVENILE CRIME ENFORCEMENT &
ACCOUNTABILITY CHALLENGE GRANT II PROGRAM
SCHEDULE OF ELIGIBLE PROJECT COSTS**

GRANT PERIOD: FROM _____ TO _____

BUDGET LINE ITEM	STATE COSTS CLAIMED	Costs Claimed for		OTHER COSTS	TOTAL
		CASH MATCH	IN-KIND MATCH		
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

COUNTY NAME_____

**JUVENILE CRIME ENFORCEMENT &
ACCOUNTABILITY CHALLENGE GRANT II PROGRAM
SCHEDULE OF DISALLOWED COSTS (STATE FUNDS)**

GRANT PERIOD: FROM _____
TO _____

BUDGET LINE ITEM	TOTAL COSTS CLAIMED	COSTS ACCEPTED	RECOMMENDED DISALLOWANCES
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
TOTAL:	\$ _____	\$ _____	\$ _____